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FISCAL IMPACT STATEMENT

LS 6387 | **NOTE PREPARED:** Dec 17, 2009
BILL NUMBER: HB 1217 | **BILL AMENDED:**

SUBJECT: Elimination of Personal Property Taxes.

FIRST AUTHOR: Rep. Cherry | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill eliminates property taxes on depreciable personal property.

Effective Date: Upon passage; March 1, 2010 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Under this proposal, there would be some reduction in printing, mailing, and other administration costs for local assessors. Personal property tax returns would not have to be printed or processed. There would also be a reduction in the number of tax bills that are prepared and mailed, reducing county auditor and treasurer costs by an unknown amount.

Explanation of Local Revenues: Under current law, depreciable personal property is subject to assessment each year and is part of the property tax assessed value base. Beginning with taxes payable in 2011, depreciable personal property would not be assessed or taxed under this bill.

In 2011, personal property is expected to generate an estimated $876.8 M in net property tax, statewide. Of that amount, $36.9 M is expected to be allocated to TIF districts. Under this bill, the net tax payable on depreciable personal property would be zero. The removal of personal property from the tax base would result in a tax rate increase, causing an estimated $419.2 M shift to real property. Cumulative fund levies would be reduced by an estimated $126.5 M, and circuit breaker losses for local units would increase by an estimated $330.6 M.

TIF districts would lose an estimated $36.9 M from personal property TIFs but would gain $38.9 M from real property TIFs because of the increased tax rates. If a TIF area is mostly reliant on personal property, the overall TIF proceeds would be reduced while real property-dependent TIFs would experience revenue increases.

The impact would be similar for each year after 2011.

State Agencies Affected:

Local Agencies Affected: All.

Information Sources: LSA Parcel-level Property Tax Database; Local Government Database.

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